

Internal Revenue Service

District
Director

Delaware-Maryland District

Department of the Treasury

31 Hopkins Plaza, Baltimore, MD 21201

Person to Contact
[REDACTED]

Contact Telephone Number
[REDACTED]

In Reply Refer to
[REDACTED]

Date: MAY 18 2000

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

You incorporated in [REDACTED] for the purpose of encouraging the growth of business and commerce in the City of [REDACTED] by providing information, assistance and networking to local businesses and to engage in any other activity within the purposes for which corporations may be organized under [REDACTED]

You are a membership organization comprised of the following classes of members:

- Individual (non business with no voting rights)
- Trade
- Honorary (are exempt from paying dues but will have no other rights)
- Municipal
- Commercial
- Organizations (trade and professional associations)

Page 2 of Form 1024 states: "The Chamber compiles a vacation guidebook, which lists all events, attractions, restaurants, and businesses and is given out to our tourists. We pay for this guidebook through the sale of advertising space. Any excess money is deposited in our scholarship fund. The Chamber, in the last year, has established a scholarship fund. This fund awards scholarship money to graduating seniors, living in [REDACTED], who are going to further their education. The money is raised through fundraisers, which include an art auction and will include a [REDACTED]. All proceeds from fundraisers go directly into the scholarship fund."

Your income is derived from the advertisement, an art auction and membership dues and expended for operations and scholarships.

Section 501(c)(6) of the Internal Revenue Code provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 56-65, published in Cumulative Bulletin, 1956-1, on page 194, held that a local organization whose principal activity consisted of furnishing particular information and specialized individual service to its individual members engaged in a particular industry through publications and other means to effect economies in the operation of their individual businesses was performing particular services for individual persons. Such organization did not qualify for exemption under section 501(c)(6), of the Internal Revenue Code as a business league even though it performed functions, which were of benefit to the particular industry and the public generally.

Revenue Ruling 59-234, published in Cumulative Bulletin, 1959-2, on page 234, held that a real estate board whose primary purpose or activities is the operation of a multiple listing system is considered to be rendering particular services for its members and is not exempt from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

Revenue Ruling 64-315, published in Cumulative Bulletin 1964-2, on page 147, held that an association of merchants in a particular shopping center whose advertising material contained the names of the individuals merchants was denied exemption because it constituted the performance of a particular service to members.

Revenue Ruling 65-14, published in Cumulative Bulletin 1965-1, on page 236, held that an organization formed to promote the tourist industry in the area and whose principal activity is the publication of a yearbook consisting largely of paid advertisement for its members is not entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

Your letter dated [REDACTED] stated: "...our Chamber's purpose, and its primary activity is to provide and promote a scholarship fund in our name for the benefit of local students. Our Chamber's other purpose is to promote and improve commerce in our city by donating funds for city improvements and beautification projects. The publication of the [REDACTED] is the means to achieving these purposes, it is not a purpose of the Chamber in itself".

The above statements are belied by the factual financial data. The primary source of the organization's income is derived from selling advertisement to your members' in the vacation guidebook. Advertising sales generated [REDACTED] and [REDACTED] percent of your income for fiscal years, [REDACTED], [REDACTED] and [REDACTED], respectively. You expended [REDACTED] percent, [REDACTED] percent and [REDACTED] percent of your total income in scholarships for the same fiscal years. Hence, we hold that your primary activity is the promotion of your members businesses through your guidebook, which is the promotion of a particular service to members.

Your financial data does not reflect expenditures for city improvements or beautification projects.

The recipients of your scholarship program are children of the members and the Chamber's [REDACTED]. Thus, your scholarship program is a particular service to members because it helps to relieve the members of their financial responsibility.

Based upon the facts within the case and the law cited above, we hold that your primary purpose is providing particular services to your members.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code. In accordance with this determination, you are required to file Federal income tax returns on Form 1120

[REDACTED]

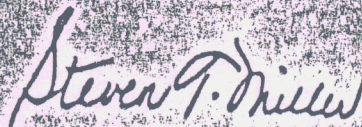
If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If someone who is not one of your principal officers will represent you, that person will need to file a power of attorney or tax authorization with us.

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination on this matter.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,



Steven T. Miller
Director, Exempt Organization

Enclosure: Publication 892